

March 20, 2020

VIA EMAIL

The Honorable Ronald D. Kouchi
Senate President
415 South Beretania Street
Hawai'i State Capitol, Room 409
Honolulu, Hawai'i 96813

VIA EMAIL

The Honorable Scott K. Saiki
Speaker, House of Representatives
415 South Beretania Street
Hawai'i State Capitol, Room 431
Honolulu, Hawai'i 96813

RE: Financial and Compliance Audit of the O'ahu Metropolitan Planning Organization

Dear President Kouchi and Speaker Saiki:

The financial and compliance audit of the O'ahu Metropolitan Planning Organization for the fiscal year ended June 30, 2019, was issued on February 19, 2020. The Office of the Auditor retained N&K CPAs, Inc. to perform the financial and compliance audit. For your information, we are attaching a copy of the two-page Auditor's Summary of the financial and compliance audit report.

You may view the financial and compliance audit report and Auditor's Summary on our website at:

http://files.hawaii.gov/auditor/Reports/2019_Audit/DOT_OMPO2019.pdf; and

http://files.hawaii.gov/auditor/Reports/2019_Audit/OMPO_Summary_2019.pdf.

If you have any questions about the report, please contact me.

Very truly yours,

Leslie H. Kondo
State Auditor

LHK:RTS:emo
Enclosures

cc/attach (Auditor's Summary only): Senators

Representatives
Brian Takeshita, House Chief Clerk
Carol Taniguchi, Senate Chief Clerk

Auditor's Summary

Financial and Compliance Audit of the O'ahu Metropolitan Planning Organization

Financial Statements, Fiscal Year Ended June 30, 2019



PHOTO: OAHU METROPOLITAN PLANNING ORGANIZATION

THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the O'ahu Metropolitan Planning Organization, as of and for the fiscal year ended June 30, 2019, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by N&K CPAs, Inc.

About the Organization

Federal highway and transit statutes require urbanized areas greater than 50,000 in population to designate a metropolitan planning organization as a condition for spending Federal highway or transit funds. O'ahu Metropolitan Planning Organization (OahuMPO) is the designated metropolitan planning organization for the island of O'ahu. OahuMPO was established by agreement between the Governor of the State of Hawai'i and the Chairperson of the City Council of the City and County of Honolulu and serves as the decision making body responsible for carrying out continuing, comprehensive, and cooperative transportation planning and programming for the island of O'ahu.

Financial Highlights

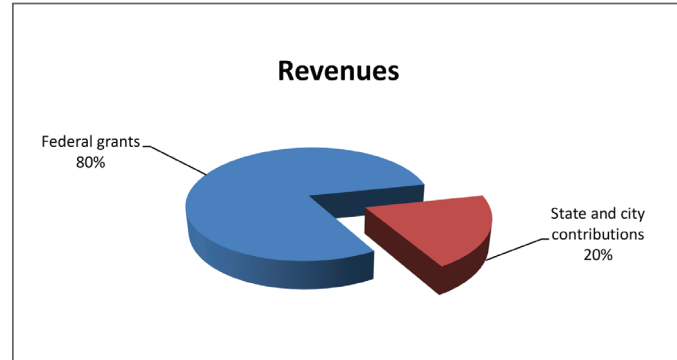
FOR THE FISCAL YEAR ended June 30, 2019, OahuMPO reported total revenues of \$2.8 million and total expenses of \$2.8 million, resulting in no change in net position. Revenues consisted of \$2.2 million from federal grants and \$564,000 in contributions from the State of Hawai'i and City and County of Honolulu.

Total expenses consisted of: (1) \$309,000 for transportation forecasting and long-range planning, (2) \$568,000 for short-range transportation system and demand management planning, (3) \$74,000 for transportation monitoring and analysis, (4) \$262,000 for emergency management, and (5) \$1.6 million for program coordination and administration.

As of June 30, 2019, total assets exceeded total liabilities by \$538,000. Total assets of \$1.8 million included cash of \$583,000 and receivables and other assets of \$1.2 million. Total liabilities totaled \$1.2 million.

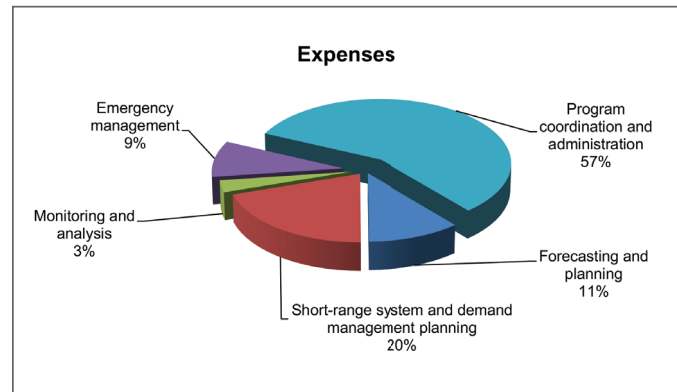
Auditors' Opinions

OahuMPO RECEIVED AN UNMODIFIED OPINION that its financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. OahuMPO received a qualified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.



Findings

THERE WERE NO FINDINGS THAT WERE CONSIDERED MATERIAL WEAKNESSES in internal control over financial reporting that would have required reporting under *Government Auditing Standards*. The auditors identified two deficiencies in internal control over financial reporting that were considered significant deficiencies, one of which is also considered a significant deficiency in internal control over compliance. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The deficiencies are described on pages 44-47 of the report.



The auditors identified one material weakness and one previously noted significant deficiency in internal control over compliance that are required to be reported in accordance with the *Uniform Guidance*. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. The material weakness is described on pages 48-49 of the report.

For the complete report and financial statements visit our website at:
http://files.hawaii.gov/auditor/Reports/2019_Audit/DOT_OMPO2019.pdf

**FINANCIAL AUDIT OF THE
OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

Fiscal Year Ended June 30, 2019

**Submitted by
The Auditor
State of Hawaii**



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**OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

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**OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII**

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PART I
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Auditor
State of Hawaii
Policy Board
Oahu Metropolitan Planning Organization

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of Oahu Metropolitan Planning Organization, State of Hawaii (OahuMPO), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OahuMPO's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of OahuMPO, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A, the financial statements of OahuMPO are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the special revenue fund of the State of Hawaii that is attributable to the transactions of OahuMPO. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2019, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 - 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OahuMPO's basic financial statements. The schedule of expenditures by agency and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures by agency and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures by agency and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020 on our consideration of OahuMPO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of OahuMPO's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OahuMPO's internal control over financial reporting and compliance.

N&K CPAs, Inc.

Honolulu, Hawaii
February 19, 2020

**Oahu Metropolitan Planning Organization
State of Hawaii
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

This section of the annual financial report presents an analysis of OahuMPO's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the financial statements which follows this section.

Financial Highlights

Key government-wide financial highlights for the fiscal year ended June 30, 2019 compared to the prior fiscal year ended June 30, 2018 are as follows:

- OahuMPO's net position decreased by \$18,033.
- During the fiscal year, OahuMPO's revenues increased by \$709,007, and expenses increased by \$711,934.

This is reflective of the cycle of annual planning studies and activities with which OahuMPO is charged with overseeing, as the number of studies increase or decrease from fiscal year to fiscal year.

Introduction to Basic Financial Statements

The financial statements of OahuMPO present combined information about the organization as a whole and the activities of its special revenue fund. The financial statements begin with the presentation of fund financial statements, which explains how government activities were financed in the short-term, as well as what resources remain for future spending. These financial statements were prepared on the modified accrual basis of accounting, which reports revenues, when both measurable and available, and expenditures/expenses, when the related liabilities are incurred. The fund financial statements were then adjusted to the accrual basis of accounting to present OahuMPO's activities as a whole. The accrual basis of accounting, which is similar to the accounting used by most private-sector companies, recognizes revenues and expenses regardless of when cash is received or paid.

The Statement of Net Position and Governmental Fund Balance Sheet includes all of OahuMPO's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations of the organization to its creditors (liabilities). The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance reports the organization's activities and the changes in its net position as a result of its activities.

Financial Analysis

Tables 1 and 2 present a comparative view of net position and changes in net position as of and for the fiscal years ending June 30, 2019 and 2018, respectively.

**Oahu Metropolitan Planning Organization
State of Hawaii
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

**Table 1
Condensed Statements of Net Position**

	Governmental Activities	
	2019	2018
Assets		
Current assets	\$ 1,773,870	\$ 1,778,743
Capital assets	<u> --</u>	<u> 783</u>
Total assets	<u><u>1,773,870</u></u>	<u><u>1,779,526</u></u>
Liabilities		
Current liabilities	1,205,442	1,204,099
Long-term liabilities	<u> 30,758</u>	<u> 19,724</u>
Total liabilities	<u><u>1,236,200</u></u>	<u><u>1,223,823</u></u>
Net position		
Invested in capital assets	--	783
Restricted	<u> 537,670</u>	<u> 554,920</u>
Total net position	<u><u>\$ 537,670</u></u>	<u><u>\$ 555,703</u></u>

OahuMPO's net position decreased by \$18,033, or 3.24%, between June 30, 2019 and 2018. Restricted net position, the part of net position that can be used to finance day-to-day operations, decreased \$17,250, or 3.11% between June 30, 2019 and 2018.

**Table 2
Condensed Statements of Activities**

	Governmental Activities	
	2019	2018
Expenses		
Regional transportation monitoring and analysis	\$ 73,817	\$ 131,000
Regional transportation forecasting and long-range planning	308,847	376,199
Short-range transportation system management (TSM)/ transportation demand management (TDM) planning	567,711	102,949
Emergency management	262,475	282,986
Coordination of the planning program	<u>1,627,730</u>	<u>1,235,512</u>
Total expenses	<u><u>2,840,580</u></u>	<u><u>2,128,646</u></u>
Revenues		
Federal grant contributions	2,258,158	1,689,743
State and City contributions	<u> 564,389</u>	<u> 423,797</u>
Total revenues	<u><u>2,822,547</u></u>	<u><u>2,113,540</u></u>
Change in net position	(18,033)	(15,106)
Beginning net position	<u> 555,703</u>	<u> 570,809</u>
Ending net position	<u><u>\$ 537,670</u></u>	<u><u>\$ 555,703</u></u>

**Oahu Metropolitan Planning Organization
State of Hawaii
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019**

OahuMPO's total expenses increased by \$711,934, or 33.45% between the fiscal years ended June 30, 2019 and 2018. OahuMPO's revenues increased by \$709,007, or 33.55% between the fiscal years ended June 30, 2019 and 2018. The changes in revenues were attributed largely to the correlating increase in Federal grant and State and City contributions.

Financial Analysis of the Special Revenue Fund

Net change in fund balance was zero for the fiscal years ended June 30, 2019 and 2018 as a reflection that all its activities are on a cost reimbursement arrangement. Revenues for the special revenue fund is the same amount as revenues on the government-wide financial statements.

Capital Assets

As of June 30, 2019 and 2018, OahuMPO had capital assets net of accumulated depreciation of approximately \$0 and \$800, respectively. OahuMPO did not have any capital acquisitions for both the fiscal years ended June 30, 2019 and 2018. OahuMPO disposed fully depreciated capital assets that cost \$5,554 during the fiscal year ended June 30, 2019 and did not have any capital asset dispositions for the fiscal year ended June 30, 2018.

Request for Information

The financial report is designed to provide a general overview of OahuMPO's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Alvin Au, Executive Director, Oahu Metropolitan Planning Organization, 707 Richards Street, Suite 200, Honolulu, HI 96813.

**Oahu Metropolitan Planning Organization
State of Hawaii
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2019**

	Special Revenue Fund	Adjustments (Note C)	Statement of Net Position
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 582,975	\$ --	\$ 582,975
Receivables from federal government	1,182,070	--	1,182,070
Prepaid expense	<u>8,825</u>	<u>--</u>	<u>8,825</u>
Total current assets	<u>1,773,870</u>	<u>--</u>	<u>1,773,870</u>
Total assets	\$ <u>1,773,870</u>	\$ <u>--</u>	\$ <u>1,773,870</u>
LIABILITIES			
CURRENT LIABILITIES			
Vouchers payable	\$ 687,857	\$ --	\$ 687,857
Advances from other agencies	421,764	--	421,764
Accrued liabilities	<u>81,856</u>	<u>13,965</u>	<u>95,821</u>
Total current liabilities	<u>1,191,477</u>	<u>13,965</u>	<u>1,205,442</u>
NONCURRENT LIABILITIES			
Accrued compensated absences	<u>--</u>	<u>30,758</u>	<u>30,758</u>
Total noncurrent liabilities	<u>--</u>	<u>30,758</u>	<u>30,758</u>
Total liabilities	<u>1,191,477</u>	<u>44,723</u>	<u>1,236,200</u>
FUND BALANCE/NET POSITION			
Restricted fund balance	<u>582,393</u>	(582,393)	--
Total liabilities and fund balance	\$ <u>1,773,870</u>		
Net position			
Restricted		<u>537,670</u>	<u>537,670</u>
Total net position		\$ <u>537,670</u>	\$ <u>537,670</u>

See accompanying notes to the basic financial statements.

**Oahu Metropolitan Planning Organization
State of Hawaii
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
Fiscal Year Ended June 30, 2019**

	Special Revenue Fund	Adjustments (Note D)	Statement of Activities
EXPENDITURES/EXPENSES			
Regional transportation monitoring and analysis	\$ 73,817	\$ --	\$ 73,817
Regional transportation forecasting and long-range planning	308,847	--	308,847
Short-range transportation system management (TSM)/ transportation demand management (TDM) planning	567,711	--	567,711
Emergency management	262,475	--	262,475
Coordination of the planning program	<u>1,609,697</u>	<u>18,033</u>	<u>1,627,730</u>
Total expenditures	<u>2,822,547</u>	<u>18,033</u>	<u>2,840,580</u>
REVENUES			
Federal grant contributions	2,258,158	--	2,258,158
Local contributions			
City and County of Honolulu	315,975	--	315,975
State of Hawaii	124,207	--	124,207
Honolulu Authority for Rapid Transportation (HART)	<u>124,207</u>	<u>--</u>	<u>124,207</u>
Total revenues	<u>2,822,547</u>	<u>--</u>	<u>2,822,547</u>
Change in net position	--	(18,033)	(18,033)
Fund balances/net position			
Beginning of the fiscal year	<u>582,393</u>	<u>(26,690)</u>	<u>555,703</u>
End of the fiscal year	\$ <u>582,393</u>	\$ <u>(44,723)</u>	\$ <u>537,670</u>

See accompanying notes to the basic financial statements.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE A - FINANCIAL REPORTING ENTITY

Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO), was established by agreement between the Governor of the State of Hawaii and the Chairperson of the City Council of the City and County of Honolulu to serve as the decision making body responsible to carry out the continuing, comprehensive, and cooperative transportation planning and programming for the island of Oahu as required by federal law.

The financial statements of OahuMPO are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and the special revenue fund of the State of Hawaii that is attributable to the transactions of OahuMPO. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2019, and the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State of Hawaii (State) annually, which includes OahuMPO's financial activities.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

OahuMPO's financial statements are prepared in accordance with U.S. GAAP, as prescribed by the Governmental Accounting Standards Board (GASB). The significant accounting policies used by OahuMPO are described below.

(1) ***Measurement Focus, Basis of Accounting, and Financial Presentation***

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OahuMPO considers revenues other than federal grants and assistance awards to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (2) **Fund Accounting** - The financial transactions of OahuMPO are recorded in a fund. A fund is considered a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

OahuMPO has only one fund, the special revenue fund. The special revenue fund is used to account for the proceeds of specific revenue sources (other than expendable trusts) that are restricted to expenditures for specified purposes. The special revenue funds were established to account for the contracts that the State entered into for OahuMPO with the U.S. Department of Transportation, Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and those between OahuMPO and FTA prior to enactment of the Intermodal Surface Transportation Efficiency Act of 1991.

- (3) **Use of Estimates** - The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.
- (4) **Cash and Cash Equivalents** - Cash and cash equivalents consists of petty cash and amounts held in State Treasury as discussed in Note G.
- (5) **Receivables from Federal Government** - Revenues for all federal reimbursement-type grants are recorded as a receivable from federal government when costs are incurred.
- (6) **Capital Assets** - Capital assets purchased or acquired with an original cost of \$5,000 or more are reported in the statement of net position and governmental fund balance sheet, at cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
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**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE B - SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (7) **Compensated Absences** - OahuMPO permits employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since sick leave is not convertible to pay upon termination of employment. All vacation pay is accrued when incurred in the Government-Wide financial statements. A liability for these amounts is reported in the Governmental Fund only if they have matured, for example, as a result of employee resignations and retirements.
- (8) **Fund Balance** - Fund balance is classified using a hierarchy based on the extent to which OahuMPO is bound to follow constraints on how resources can be spent. Classifications include:

Nonspendable - Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

Restricted - Restricted fund balances are restricted to specific purposes which are usually imposed by external parties such as grantors, contributors, or laws or regulations of other governments.

Committed - Committed fund balances are amounts that can only be used for specific purposes pursuant to formal action of the State Legislature.

Assigned - Assigned fund balance includes amounts that are constrained by the Policy Board or management for specific purposes, but are neither restricted nor committed.

Unassigned - This classification includes any negative residual balance when actual expenditures exceed available resources of the fund.

OahuMPO has only a restricted fund balance.

- (9) **Risk Management** - OahuMPO is exposed to various risks for losses related to torts; theft of, damage to, or destruction of assets; errors or omissions; natural disasters; and injuries to employees. A liability for a claim for a risk of loss is established if information indicates that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss is reasonably estimable.

NOTE C - EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

OahuMPO's financial statements include a combined government-wide and fund financial statement. The financial statements begin with the fund financial statements and include an adjustment column that reconciles amounts reported in the fund to an accrual basis of accounting under the government-wide financial statements.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE C - EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION (Continued)

Reconciling items include long-term liabilities. Long-term liabilities applicable to OahuMPO's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Long-term liabilities, which comprised of accrued compensated absences, was \$44,723 at June 30, 2019.

NOTE D - EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND OPERATING STATEMENT AND THE STATEMENT OF ACTIVITIES

OahuMPO's financial statements include a combined government-wide and fund financial statement. The financial statements begin with the fund financial statements and include an adjustment column that reconciles amounts reported in the fund to an accrual basis of accounting under the government-wide financial statements.

Reconciling items include the following:

- (1) Capital-related items. When capital assets that are to be used in governmental activities are purchased, the resources expended for those assets are reported as expenditures in the governmental fund. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas, net assets decreased by the amount of depreciation expense charged for the fiscal year. As of June 30, 2019, OahuMPO had \$0 invested in capital assets. There was a net decrease of \$783 from the end of the prior fiscal year. During the fiscal year, there were no capital outlays that met the requirements to be capitalized.
- (2) Long-term liability transactions. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. For OahuMPO, this difference is due to a net adjustment resulting from a net change in accrued compensated absences of \$17,250.

NOTE E - FEDERAL GRANTS

Federal Highway Administration (FHWA) Grants

The FHWA-PL grants represent apportionments under 23 USC Section 104(f) made to OahuMPO through the State Department of Transportation Highways Division (HDOT). The FHWA-PL grants reimburse 80% of allowable expenditures claimed by OahuMPO, and the remaining 20% is contributed by the participating State and County agencies. Allowable expenditures to the FHWA-PL grants include labor and non-labor expenditures incurred that are recorded based on the approved Overall Work Program (OWP).

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE E - FEDERAL GRANTS (Continued)

OahuMPO has the following FHWA grants outstanding as of June 30, 2019: PL-0052(41) for the fiscal year 2019, PL-0052(40) for the fiscal year 2018, PL-0052(39) for the fiscal year 2017, PL-0052(36) for the fiscal year 2014.

Federal Transit Administration (FTA) Grants

The FTA apportions funds annually for Section 5303 Metropolitan Planning Program and for Section 5304 State Planning and Research Program. The apportionment is based on the State's urbanized area population as defined by the U.S. Census Bureau and is made to OahuMPO through the Statewide Transportation Planning Office, Department of Transportation.

The FTA grants provide for the undertaking of (1) metropolitan planning activities pursuant to 49 USC Section 5303 (previously known as Section 8 of the Federal Transit Act), and (2) state planning and research activities pursuant to 49 USC Section 5304 (previously known as Section 5313(b) of the Federal Transit Act). Under Sections 5303 and 5304 grants, FTA participates in 80% of allowable costs claimed by OahuMPO. The remaining 20% is contributed by the participating State and County agencies. Allowable expenditures to the FTA grants include labor and non-labor expenditures incurred that are recorded based on the approved OWP.

OahuMPO has the following FTA grant outstanding as of June 30, 2019: HI-2018-003 (fiscal year 2018), HI-2016-005 (fiscal year 2017), HI-80-0025 (fiscal year 2016).

NOTE F - BUDGETING AND BUDGETARY CONTROL

A budget, known as the OWP is prepared by OahuMPO on an annual basis. The budget and any additions thereto, are approved by OahuMPO's Policy Board and subsequently and jointly by FHWA and the FTA. The OWP encompasses various projects (work elements), in which work performed is specifically for OahuMPO, the State, the City and County of Honolulu (C&C) or the Honolulu Authority for Rapid Transportation (HART), and are worked on over a multi-year period.

Amounts shown in the OWP include amounts budgeted for in prior fiscal years and for the current fiscal year. Because OahuMPO does not operate under a legally adopted budget, as defined by GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, budgetary comparison information is not included in the accompanying financial statements.

The portion of OahuMPO's budget representing work elements to be fully or partially funded by FHWA is financed by current and prior fiscal years' FHWA apportionments, which were obligated by the State as a pass-through agency to and for OahuMPO. An obligation is a commitment - the federal government's promise to pay the State for the federal share of a project's eligible cost. This commitment occurs when the project is approved and the project agreement is executed. Unobligated FHWA apportionments are available for reprogramming for a period of three years following the federal fiscal year for which it is apportioned.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE F - BUDGETING AND BUDGETARY CONTROL (Continued)

The amount of unexpended FHWA obligated funds amounted to approximately \$4,238,000, \$137,000, \$10,000, and \$20,000 related to the fiscal years 2019, 2018, 2017, and 2016, respectively, for a total amount of approximately \$4,405,000 as of June 30, 2019.

The portion of OahuMPO's budget representing amounts allowable under specific FTA grants are financed by current and prior fiscal years' annual grant agreements which were approved, executed, and obligated to OahuMPO through HDOT. At the end of each fiscal year, the unexpended portion of these obligated funds are carried forward to the following fiscal year.

The amount of unexpended FTA funds amounted to approximately \$630,000 as of June 30, 2019.

NOTE G - CASH AND CASH EQUIVALENTS

Substantially all of OahuMPO's cash is held in the State Treasury.

The State Director of Finance is responsible for the safekeeping of cash in the State Treasury in accordance with State laws. The Director of Finance may invest any monies of the State which, in the Director's judgment, are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited into approved financial institutions or in the State Treasury Investment Pool System. Funds in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that depository banks pledge as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

OahuMPO's monies are held in the State cash pool. OahuMPO does not manage its own investments and the types of investments and related interest rate, credit and custodial risks are not determinable specific to OahuMPO. The risk disclosures of the State's cash pool are included in the State's Comprehensive Annual Financial Report (CAFR) which may be obtained from the State Department of Accounting and General Services' website: <http://ags.hawaii.gov/accounting/annual-financial-reports/>.

OahuMPO also maintains cash in bank which is held separately from cash in the State Treasury. As of June 30, 2019, the carrying amount of total bank balance was approximately \$400, which is insured by the Federal Deposit Insurance Corporation.

**Oahu Metropolitan Planning Organization
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE H - CAPITAL ASSETS

The changes in capital assets were as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>
Governmental activities				
Furniture and equipment, at cost	\$ 16,509	\$ --	\$ (5,554)	\$ 10,955
Less accumulated depreciation	<u>(15,726)</u>	<u>(783)</u>	<u>5,554</u>	<u>(10,955)</u>
Governmental Activities capital assets, net	\$ <u>783</u>	\$ <u>(783)</u>	\$ <u>--</u>	\$ <u>--</u>

Depreciation expense of \$783 was charged to coordination of the planning program function.

NOTE I - LONG-TERM LIABILITY

The only long-term liability for governmental activities is accrued compensated absences. Long-term liability activity during the fiscal year ended June 30, 2019, was as follows:

	<u>Amount</u>
Balance at June 30, 2018	\$ 27,473
Additions	44,319
Deductions	<u>(27,069)</u>
Balance at June 30, 2019	44,723
Less: current portion	<u>13,965</u>
Noncurrent portion	\$ <u>30,758</u>

NOTE J - RETIREMENT BENEFITS

Plan Description

Generally, all full-time employees of the State and counties are required to be members of the State Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan that administers the State's pension benefits program. Benefits, eligibility, and contribution requirements are governed by HRS Chapter 88 and can be amended through legislation. The ERS issues publicly available annual financial reports that can be obtained at ERS' website: <http://www.ers.ehawaii.gov>.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE J - RETIREMENT BENEFITS (Continued)

Benefits Provided

The ERS Pension Trust is comprised of three pension classes for membership purposes and considered to be a single plan for accounting purposes since all assets of the ERS may legally be used to pay the benefits of any of the ERS members or beneficiaries. The ERS provides retirement, disability and death benefits with three membership classes known as the noncontributory, contributory and hybrid retirement classes. The three classes provide a monthly retirement allowance equal to the benefit multiplier (generally 1.25% to 2.25%) multiplied by the average final compensation multiplied by years of credited service. Average final compensation for members hired prior to July 1, 2012 is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation for members hired January 1, 1971 or later and the average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation for members hired prior to January 1, 1971. For members hired after June 30, 2012, average final compensation is an average of the highest salaries during any five years of credited service excluding any salary paid in lieu of vacation.

Each retiree's original retirement allowance is increased on each July 1 beginning the calendar year after retirement. Retirees first hired as members prior to July 1, 2012 receive a 2.5% increase each year of their original retirement allowance without a ceiling. Retirees first hired as members after June 30, 2012 receive a 1.5% increase each year of their original retirement allowance without a ceiling. The annual increase is not compounded.

The following summarizes the provisions relevant to the largest employee groups of the respective membership class. Retirement benefits for certain groups, such as police officers, firefighters, some investigators, sewer workers, judges, and elected officials, vary from general employees.

Noncontributory Class

Retirement Benefits:

General employees' retirement benefits are determined as 1.25% of average final compensation multiplied by the years of credited service. Employees with ten years of credited service are eligible to retire at age 62. Employees with 30 years of credited service are eligible to retire at age 55.

Disability Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 12.5% of average final compensation.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE J - RETIREMENT BENEFITS (Continued)

Death Benefits:

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a monthly benefit of 30% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. Additional benefits are payable to surviving dependent children up to age 18. If there is no spouse/reciprocal beneficiary or dependent children, no benefit is payable.

Ordinary death benefits are available to employees who were active at time of death with at least ten years of credited service. The surviving spouse/reciprocal beneficiary (until remarriage/re-entry into a new reciprocal beneficiary relationship) and dependent children (up to age 18) receive a benefit equal to a percentage of the member's accrued maximum allowance unreduced for age or, if the member was eligible for retirement at the time of death, the surviving spouse/reciprocal beneficiary receives 100% joint and survivor lifetime pension and the dependent children receive a percentage of the member's accrued maximum allowance unreduced for age.

Contributory Class for Members Hired prior to July 1, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 55.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.5% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with five years of credited service are eligible to retire at age 55. Police officers and firefighters with 25 years of credited service are eligible to retire at any age, provided the last five years is service credited in these occupations.

Disability Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a one-time payment of the member's contributions and accrued interest plus a lifetime pension of 50% of their average final compensation. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined as 1.75% of average final compensation multiplied by the years of credited service but are payable immediately, without an actuarial reduction, and at a minimum of 30% of average final compensation.

Death Benefits:

For service-connected deaths, the surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE J - RETIREMENT BENEFITS (Continued)

Ordinary death benefits are available to employees who were active at time of death with at least one year of service. Ordinary death benefits consist of a lump-sum payment of the member's contributions and accrued interest plus a percentage of the salary earned in the 12 months preceding death, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Contributory Class for Members Hired After June 30, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 60.

Police officers and firefighters' retirement benefits are determined using the benefit multiplier of 2.25% for qualified service, up to a maximum of 80% of average final compensation. Police officers and firefighters with ten years of credited service are eligible to retire at age 60. Police officers and firefighters with 25 years of credited service are eligible to retire at age 55, provided the last five years is service credited in these occupations.

Disability and Death Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 50% of their average final compensation plus refund of contributions and accrued interest. Ten years of credited service is required for ordinary disability.

For police officers and firefighters, ordinary disability benefits are 1.75% of average final compensation for each year of service and are payable immediately, without an actuarial reduction, at a minimum of 30% of average final compensation.

Death benefits for contributory members hired after June 30, 2012 are generally the same as those for contributory members hired June 30, 2012 and prior.

Hybrid Class for Members Hired Prior to July 1, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 2% of average final compensation multiplied by the years of credited service. General employees with five years of credited service are eligible to retire at age 62. General employees with 30 years of credited service are eligible to retire at age 55.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE J - RETIREMENT BENEFITS (Continued)

Disability Benefits:

Members are eligible for service-related disability benefits regardless of length of service and receive a lifetime pension of 35% of their average final compensation plus refund of their contributions and accrued interest. Ten years of credited service is required for ordinary disability. Ordinary disability benefits are determined in the same manner as retirement benefits but are payable immediately, without an actuarial reduction, and at a minimum of 25% of average final compensation.

Death Benefits:

For service-connected deaths, the designated surviving spouse/reciprocal beneficiary receives a lump sum payment of the member's contributions and accrued interest plus a monthly benefit of 50% of the average final compensation until remarriage or re-entry into a new reciprocal beneficiary relationship. If there is no surviving spouse/reciprocal beneficiary, surviving dependent children (up to age 18) or dependent parents are eligible for the monthly benefit. If there is no spouse/reciprocal beneficiary or dependent children/parents, the ordinary death benefit is payable to the designated beneficiary.

Ordinary death benefits are available to employees who were active at time of death with at least five years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest plus a percentage multiplied by 150%, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

Hybrid Class for Members Hired After June 30, 2012

Retirement Benefits:

General employees' retirement benefits are determined as 1.75% of average final compensation multiplied by the years of credited service. General employees with ten years of credited service are eligible to retire at age 65. Employees with 30 years of credited service are eligible to retire at age 60. Sewer workers, water safety officers, and emergency medical technicians may retire with 25 years of credited service at age 55.

Disability and Death Benefits:

Provisions for disability and death benefits generally remain the same except for ordinary death benefits. Ordinary death benefits are available to employees who were active at time of death with at least ten years of service. Ordinary death benefits consist of a lump sum payment of the member's contributions and accrued interest, or 50% Joint and Survivor lifetime pension if the member was not eligible for retirement at the time of death but was credited with at least ten years of service and designated one beneficiary, or 100% Joint and Survivor lifetime pension if the member was eligible for retirement at the time of death and designated one beneficiary.

**Oahu Metropolitan Planning Organization
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE J - RETIREMENT BENEFITS (Continued)

Contributions

Contributions are governed by HRS Chapter 88 and may be amended through legislation. The employer rate is set by statute based on the recommendations of the ERS actuary resulting from an experience study conducted every five years. Since July 1, 2005, the employer contribution rate is a fixed percentage of compensation, including the normal cost plus amounts required to pay for the unfunded actuarial accrued liabilities. The contribution rates for fiscal year 2019 were 31% for police officers and firefighters and 19% for all other employees. OahuMPO's contribution requirement as of June 30, 2019 was approximately \$74,700.

Per Act 17 (SLH 2017), employer contributions from the State and counties are expected to increase over four years beginning July 1, 2017. The rate for police and firefighters increased to 31% on July 1, 2018; and increases to 36% on July 1, 2019; and 41% on July 1, 2020, and the rate for all other employees' increased to 19% on July 1, 2018; and increases to 22% on July 1, 2019; and 24% on July 1, 2020.

The employer is required to make all contributions for noncontributory members. Contributory members hired prior to July 1, 2012 are required to contribute 7.8% of their salary, except for police officers and firefighters who are required to contribute 12.2% of their salary. Contributory members hired after June 30, 2012 are required to contribute 9.8% of their salary, except for police officers and firefighters who are required to contribute 14.2% of their salary. Hybrid members hired prior to July 1, 2012 are required to contribute 6.0% of their salary. Hybrid members hired after June 30, 2012 are required to contribute 8.0% of their salary.

Measurement of the actuarial valuation is made for the State as a whole and is not separately computed for the individual state departments and agencies such as OahuMPO. It is the State's policy to recognize the proportionate share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for only component units and proprietary funds that are reported separately in the State's CAFR. Therefore, the share of the pension liability, pension expense, deferred inflows related to pensions, and deferred outflows related to pension for OahuMPO are not included in the financial statements. The State's CAFR includes the note disclosures and required supplementary information on the State's pension plans.

Pension expenditures included in the statement of revenues, expenditures, and changes in fund balance for OahuMPO's special revenue fund totaled approximately \$74,700 for the fiscal year ended June 30, 2019.

**Oahu Metropolitan Planning Organization
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE K - POST-RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The State provides certain health care and life insurance benefits to all qualified employees. Pursuant to Act 88, SLH 2001, the State contributes to the Employer-Union Health Benefits Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees and their dependents. The EUTF issues an annual financial report that is available to the public. The report may be obtained by writing to the EUTF at P.O. Box 2121, Honolulu, Hawaii 96805-2121.

For employees hired before July 1, 1996, the State pays the entire base monthly contribution for employees retiring with ten years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect a family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For employees retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Retirees in this category can elect a family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than ten years of service, the State makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the State pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the State pays 75% of the base monthly contribution. For employees retiring with at least 25 years of service, the State pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

The State is required to contribute the annual required contribution (ARC) of the employer, an amount that is actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Measurement of the actuarial valuation and the ARC are made for the State as a whole and are not separately computed for the individual state departments and agencies such as OahuMPO. The State has only computed the allocation of the other postemployment benefit (OPEB) liability, OPEB expense, and deferred outflows of resources, and deferred inflows of resources related to OPEB to component units and proprietary funds that are reported separately in the State's Comprehensive Annual Financial Report (CAFR). Therefore, the OPEB costs for OahuMPO was not available and are not included in the financial statements. The State's CAFR includes the note disclosures and required supplementary information on the State's OPEB plans.

OahuMPO's contributions made to the plan were approximately \$49,200 for the fiscal year ended June 30, 2019.

**Oahu Metropolitan Planning Organization
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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE L - DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

All plan assets are held in a trust fund to protect them from claims of general creditors. The State has no responsibility for loss due to the investment or failure of investments of funds and assets in the plan, but has the duty of due care that would be required of an ordinary prudent investor.

NOTE M - COMMITMENTS AND CONTINGENCIES

Encumbrances

Encumbrances totaled approximately \$1,554,700 as of June 30, 2019.

Accumulated Sick Leave

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limit, but can be taken only in the event of illness and is not convertible to pay upon termination of employment. However, an OahuMPO employee who retires or leaves government service in good standing with sixty days or more of unused sick leave is entitled to additional service credit in the ERS. Accumulated sick leave as of June 30, 2019 approximated \$65,200.

Leases

OahuMPO's is leasing its office space situated at The Block-Richards Building, 707 Richards Street, Suite 200, Honolulu, Hawaii under a lease agreement entered into in March 2019, which expires on April 30, 2025. Under the terms and conditions of the lease agreement, OahuMPO is responsible for the monthly base rent and a share of operating costs.

OahuMPO is also leasing copier equipment under a 5-year operating lease agreement that expires on January 14, 2024. In addition to the base rent, OahuMPO is responsible for all operating costs related to the use of this equipment.

At June 30, 2019, future minimum lease payments, not including common area fees or operating expenses were as follows:

Fiscal Year Ending June 30,	Amount
2020	\$ 53,000
2021	53,200
2022	54,600
2023	54,700
2024	53,700
Thereafter	46,500
Total	\$ 315,700

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE M - COMMITMENTS AND CONTINGENCIES (Continued)

The total rental expenditures incurred on the office space lease, including common area fees and on the equipment lease, for the fiscal year ended June 30, 2019, was as follows:

	Amount
Minimum rentals under noncancelable operating leases	\$ 40,950
Common area fees and other	42,025
	\$ 82,975

NOTE N - RISK MANAGEMENT

Insurance Coverage

Insurance coverage is maintained at the State level. The State records a liability for risk financing and insurance related losses if it is determined that a loss has been incurred and the amount can be reasonably estimated. The State retains various risks and insures certain excess layers with commercial insurance companies. The excess layers insured with commercial insurance companies are consistent with the prior fiscal year. Settled claims have not exceeded the coverage provided by commercial insurance companies in any of the past ten fiscal years. A summary of the State's underwriting risks is as follows:

Property Insurance

The State has an insurance policy with a variety of insurers in a variety of layers for property coverage. The deductible for coverage is 3% of loss subject to a \$1,000,000 per occurrence minimum. This policy includes windstorm, earthquake, flood damage, terrorism, and boiler and machinery coverage. The limit of loss per occurrence is \$200,000,000, except for terrorism, which is \$50,000,000 per occurrence and a \$10,000 deductible.

Crime Insurance

The State also has a crime insurance policy for various types of coverages with a limit of loss of \$10,000,000 per occurrence with a \$500,000 deductible per occurrence, except for claims expense coverage, which has a \$100,000 limit per occurrence and a \$1,000 deductible. Losses under the deductible amount are paid by the Risk Management Office of the Department of Accounting and General Services and losses not covered by insurance are paid from legislative appropriations of the State's General Fund.

General Liability (Including Torts)

Liability claims up to \$10,000 and automobile claims up to \$15,000 are handled by the Risk Management Office. All other claims are handled by the Department of the Attorney General. The State has personal injury and property damage liability, including automobile and public errors and omissions, insurance policy in force with a \$4,000,000 self-insured retention per occurrence. The annual aggregate per occurrence is \$9,000,000 and for crime loss, \$10,000,000 with no aggregate limit.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE N - RISK MANAGEMENT (Continued)

Losses under the deductible amount or over the aggregate limit are paid from legislative appropriations of the State's General Fund.

Cyber Liability Insurance

The State is insured for various types of cyber-related activities with a loss limit of \$50 million with a deductible of \$500,000 per occurrence. This policy includes (with sub-limits) system failure business interruption, dependent business interruption, dependent business interruption system failure, and Payment Card Industry - Data Security Standard coverage.

Self-Insured Risks

The State generally self-insures its automobile no-fault and workers' compensation losses. Automobile losses below \$15,000 are administered by the Risk Management Office. The State administers its workers' compensation losses.

OahuMPO is covered by the State's self-insured workers' compensation program for medical expenses of its insured employees. However, temporary wage loss replacement benefits are paid to those employees by OahuMPO. There were no benefits paid by OahuMPO for the fiscal year ended June 30, 2019.

NOTE O - RELATED PARTY TRANSACTIONS

OahuMPO uses HDOT for staff support, accounting, information technology, human resources, and other services as per an Administrative Agreement between OahuMPO and HDOT. The Code of Federal Regulations requires that there be an agreement between the State, the transit operator, and OahuMPO specifying the cooperative procedures for carrying out transportation planning. A Comprehensive Agreement between the State, the C&C, the Honolulu Authority for Rapid Transportation (HART), and OahuMPO was executed on July 20, 2015.

The State, the C&C, and HART each contribute \$125,000 as dues to fund OahuMPO's operations. Any balance of unencumbered local funds and dues budgeted and provided by the State, Operator, and City for that year's OWP shall be used towards the following year's OWP dues. For the fiscal year ended June 30, 2019, the State, the C&C, and HART each contributed \$45,624 to OahuMPO for those projects.

As discussed in Note F, the Overall Work Program includes projects for the State, the C&C and HART. OahuMPO serves as the fiscal agent in processing the federal reimbursements to the State and the C&C. In these instances, the entity requesting the project pays for the entire cost of the project and is reimbursed 80% through federal grant monies. The remaining 20% is the local match as established in Federal regulations for these projects.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019**

NOTE O - RELATED PARTY TRANSACTIONS (Continued)

For the fiscal year ended June 30, 2019, the amount of local share contributed by the State, the C&C, and HART was approximately \$124,200, \$316,000 and \$124,200, respectively.

OahuMPO processed approximately \$767,000 of federal reimbursement claims for C&C consultant contract costs incurred on projects included in the approved OWP for the fiscal year ended June 30, 2019.

As of June 30, 2019, OahuMPO had a payable of approximately \$303,000 to the C&C for federal grant monies to be received by OahuMPO, which will be paid to the C&C.

SUPPLEMENTARY INFORMATION

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF EXPENDITURES BY AGENCY
Fiscal Year Ended June 30, 2019**

	<u>W.E.</u>	<u>CITY</u>	<u>OMPO</u>	<u>TOTAL</u>
Regional Transportation Monitoring and Analysis:	201			
OahuMPO Participation Plan Evaluation	201.02	\$ --	\$ 4,235	\$ 4,235
Title IV & Environmental Justice	201.04	--	59,061	59,061
2000 Census Data	201.05	--	2,472	2,472
Comprehensive Data Management & Sharing	201.16	--	8,049	8,049
		<u>--</u>	<u>73,817</u>	<u>73,817</u>
Regional Transportation Forecasting and Long-Range Planning:	202			
Roadway Surface Condition Assessment & Report	202.01	61,282	--	61,282
Central Oahu Transportation Study	202.02	--	138,559	138,559
Transportation Revenue Forecast & Alternative Revenue Exploration	202.03	--	347	347
Farrington Highway Realignment Study	202.04	--	41,286	41,286
Transportation Improvement Plan	202.07	67,373	--	67,373
		<u>128,655</u>	<u>180,192</u>	<u>308,847</u>
Short-range TSM/TDM Planning:	203			
PM Peak Period Tow Away Zone Time Modifications	203.03	50,000	--	50,000
Ewa Impact Fees for Traffic & Roadway	203.75	28,730	--	28,730
Ala Wai Canal Alternatives Analysis	203.10	488,981	--	488,981
		<u>567,711</u>	<u>--</u>	<u>567,711</u>
Emergency Management	206			
Oahu Coastal Communities Evacuation Planning	206.02	262,475	--	262,475
		<u>262,475</u>	<u>--</u>	<u>262,475</u>

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF EXPENDITURES BY AGENCY (Continued)
Fiscal Year Ended June 30, 2019**

	<u>W.E.</u>	<u>CITY</u>	<u>OMPO</u>	<u>TOTAL</u>
Coordination of the Planning Program:	301/302			
Program Support & Administration	301.01	\$ --	\$ 405,847	\$ 405,847
General Technical Assistance & Support	301.02	--	15,919	15,919
Overall Work Program	301.03	--	88,892	88,892
Support for Citizen Advisory Committee	301.04	--	9,166	9,166
Single Audit	301.05	--	76,461	76,461
Public Participation Plan	301.06	--	3,526	3,526
Professional Development	301.09	--	17,078	17,078
Computer Network Maintenance	301.10	--	19,772	19,772
Subrecipient Monitoring	301.11	--	13,046	13,046
Census and Other Data	301.13	--	3,751	3,751
Federal Planning Requirements	301.14	--	205	205
Computer Model Operations & Support	301.15	--	352,268	352,268
Oahu Regional Transportation Plan	301.16	--	412,837	412,837
Transportation Improvement Program	301.17	--	36,975	36,975
Transportation Alternatives Program	301.18	--	368	368
OahuMPO Staff Support of Consultant Projects	301.19	--	2,199	2,199
Overhead (Indirect Costs)	302.01	--	151,387	151,387
		<u>--</u>	<u>1,609,697</u>	<u>1,609,697</u>
Total Expenditures by Agency		<u>\$ 958,841</u>	<u>\$ 1,863,706</u>	<u>\$ 2,822,547</u>

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2019**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
Department of Transportation				
Passed Through State Department of Transportation				
Highway Planning and Construction				
OahuMPO Work Program	20.205	PL-0052(36)	\$ --	\$ 4,240
OahuMPO Work Program	20.205	PL-0052(38)	--	(5,473)
OahuMPO Work Program	20.205	PL-0052(39)	135,700	414,306
OahuMPO Work Program	20.205	PL-0052(40)	277,385	428,120
OahuMPO Work Program	20.205	PL-0052(41)	<u>353,988</u>	<u>1,300,272</u>
Total for Program			<u>767,073</u>	<u>2,141,465</u>
Federal Transit Technical Studies Grant				
FTA, Section 5303	20.505	HI-80-0025	--	30,931
FTA, Section 5303	20.505	HI-2016-005	--	35,821
FTA, Section 5303	20.505	HI-2018-003	<u>--</u>	<u>49,941</u>
Total for Program			<u>--</u>	<u>116,693</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>767,073</u>	\$ <u>2,258,158</u>

The accompanying notes are an integral part of this schedule.

**Oahu Metropolitan Planning Organization
State of Hawaii
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Oahu Metropolitan Planning Organization, State of Hawaii, (OahuMPO) under programs of the federal government for the fiscal year ended June 30, 2019.

The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of OahuMPO, it is not intended to and does not present the financial position, changes in net position, or cash flows of OahuMPO.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following as applicable, either the cost principles in the Office of Management and Budget Circular A-87 *Cost Principles for State, Local and Indian Tribe Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

OahuMPO has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 - LOCAL SHARE

The FHWA and FTA grants reimburse 80% of the allowable expenditures claims by OahuMPO and the remaining 20% is contributed by the State, City and County of Honolulu, and the Honolulu Authority for Rapid Transportation. For the fiscal year ended June 30, 2019 the amounts contributed by the State, City and County of Honolulu, and the Honolulu Authority for Rapid Transportation were approximately \$124,200, \$316,000, and \$124,200, respectively.

PART II

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Auditor
State of Hawaii
Policy Board
Oahu Metropolitan Planning Organization

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the special revenue fund of Oahu Metropolitan Planning Organization, State of Hawaii (OahuMPO), as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise OahuMPO's basic financial statements, and have issued our report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OahuMPO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OahuMPO's internal control. Accordingly, we do not express an opinion on the effectiveness of OahuMPO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OahuMPO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

OahuMPO's Response to Findings

OahuMPO's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. OahuMPO's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of our testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

N&K CPAs, Inc.

Honolulu, Hawaii
February 19, 2020

PART III

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Auditor
State of Hawaii
Policy Board
Oahu Metropolitan Planning Organization

Report on Compliance for Each Major Federal Program

We have audited Oahu Metropolitan Planning Organization, State of Hawaii (OahuMPO)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on OahuMPO's major federal program for the fiscal year ended June 30, 2019. OahuMPO's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for OahuMPO's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OahuMPO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of OahuMPO's compliance.

Basis for Qualified Opinion on Highway Planning and Construction

As described in the accompanying schedule of findings and questioned costs, OahuMPO did not comply with requirements regarding CFDA 20.205 Highway Planning and Construction as described in finding 2019-003 for subrecipient monitoring. Compliance with such requirements is necessary, in our opinion, for OahuMPO to comply with the requirements applicable to that program.

Qualified Opinion on Highway Planning and Construction

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, OahuMPO complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 20.205 Highway Planning and Construction for the fiscal year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-002. Our opinion on the major federal program is not modified with respect to this matter.

OahuMPO's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. OahuMPO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of OahuMPO is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered OahuMPO's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of OahuMPO's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-002 to be a significant deficiency.

OahuMPO's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. OahuMPO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

N&K CPAs, Inc.

Honolulu, Hawaii
February 19, 2020

PART IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2019**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:
Material weakness(es) identified?
Significant deficiency(ies) identified?

yes no
 yes none reported

Noncompliance material to the financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified?
Significant deficiency(ies) identified?

yes no
 yes none reported

Type of auditor's report issued on compliance for major federal programs:

Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

20.205

Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

yes no

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2019 (Continued)**

SECTION II - FINANCIAL STATEMENT FINDINGS

Ref. No. Internal Control Finding

2019-001 Document and Test Key Cost Allocation Summary Worksheet

Criteria: OahuMPO's control activities over accounting, grants management, and financial reporting are key components of internal controls. Current written policies and procedures and adherence to those policies and procedures are required to ensure that material misstatements are identified on a timely basis, grants are properly managed, grants are in compliance with applicable regulations and grant agreements, assets are properly safeguarded, compliance with State regulations, and to provide a basis to evaluate the effectiveness of those internal controls over these areas.

Condition: During our audit, we noted that the Accountant maintains a spreadsheet that is used to allocate and summarize costs charged to specific grants. At the beginning of each fiscal year, the Accountant modifies the spreadsheet to add new grants and to remove expired grants. However, the Accountant does not maintain documentation on how to utilize the spreadsheet to allocate and summarize costs, how to modify the spreadsheet to add new grants and to remove expired grants, and how to test the spreadsheet, including the extent of the testing required to ensure that the modifications were properly done and that the spreadsheet is properly allocating and summarizing cost.

During our testing of major program expenditures, we did not note any material discrepancies related to the allocation of expenditures on the allocation worksheets.

Cause: There is a lack of sufficient documentation on how the cost allocation spreadsheet should be used to ensure an accountant unfamiliar with the spreadsheet will use it properly at a reduced level of risk of errors. OahuMPO informed us that it will implement a new accounting system in 2020 and documentation of the allocation process will be addressed then.

Effect: The effect of the above condition is a weak component of internal controls, regarding OahuMPO's control activities. Weak internal controls over the accounting, grants management, and financial reporting areas will result in inaccurate financial statements and may result in noncompliance with laws, regulations, grant agreements, and other contractual arrangements.

Identification as a Repeat Finding, if applicable:

See finding 2018-004 included in the Summary Schedule of Prior Audit Findings.

Recommendation:

OahuMPO should prepare documentation of the process for a key spreadsheet used to summarize the allocation of costs to the appropriate grants.

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2019 (Continued)**

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

Ref. No. Internal Control Finding

2019-001 Document and Test Key Cost Allocation Summary Worksheet (Continued)

Views of Responsible Official(s) and Planned Corrective Action:

Management agrees with the finding and recommendation. See Corrective Action Plan on page 51.

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2019**

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

<u>Ref. No.</u>	<u>Compliance and Internal Control Finding</u>	<u>Questioned Costs</u>
2019-002	<p>Establish Written Policies and Procedures as Required by 2 CFR 200</p> <p>Federal agency: U.S. Department of Transportation CFDA No.: 25.205 Program: Highway Planning and Construction Federal award no.: PL-0052(36), PL-0052(38), PL-0052(39), PL-0052(40), PL-0052(41)</p> <p>Criteria: 2 CFR 200 requires written policies and procedures in various matters such as cash management, not all inclusive.</p> <p>Condition: OahuMPO is aware of the need for written policies and procedures over accounting, grants management, and financial reporting areas to ensure compliance with federal laws, regulations and grant agreements. However, OahuMPO does not have written policies and procedures on cash management as required by 2 CFR 200.</p> <p>Cause: OahuMPO believed its Financial Accounting Policies and Procedures manual written with the aid of a consultant addressed cash management as required by 2 CFR 200.</p> <p>Effect: Without the written policies and procedures required by 2 CFR 200, OahuMPO has insufficient internal controls over compliance with federal laws, regulations and grant agreements related to the federal awards it receives and expends.</p> <p>Identification as a Repeat Finding, if applicable: See finding 2018-006 included in the Summary Schedule of Prior Audit Findings.</p> <p>Recommendation: OahuMPO should continue to work with its consultant in revising its Financial Accounting Policies and Procedures to, at minimum, address the written policies and procedures requirements to ensure compliance with cash management requirements in accordance with 2 CFR 200.</p>	<p>\$ <u> --</u></p>

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2019**

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS (Continued)

<u>Ref. No.</u>	Compliance and Internal Control Finding	<u>Questioned Costs</u>
2019-002	Establish Written Policies and Procedures as Required by 2 CFR 200 (Continued)	
	Views of Responsible Official(s) and Planned Corrective Action: Management agrees with the finding and recommendation. See Corrective Action Plan on page 52.	

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2019**

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS (Continued)

<u>Ref. No.</u>	<u>Compliance and Internal Control Finding</u>	<u>Questioned Costs</u>
2019-003	<p>Perform and Document Subrecipient Monitoring</p> <p>Federal agency: U.S. Department of Transportation CFDA No.: 25.205 Program: Highway Planning and Construction Federal award no.: PL-0052(39), PL-0052(40), PL-0052(41)</p> <p>Criteria: 2 CFR 200.331 states the requirements that pass-through entities must comply with including the following:</p> <ol style="list-style-type: none"> 1. Ensure every subaward is clearly identified to the subrecipient as a subaward and includes certain information detailed in 2 CFR 200.331(1)(a). 2. Evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward. 3. Consider imposing specific subaward conditions on a subrecipient if appropriate as described in 2 CFR 200.207. 4. Monitor activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward goals are achieved. 5. Verify that every subrecipient is audited as required by Subpart F of the 2 CFR 200. 6. Consider whether the results of the subrecipient’s audits, on-site reviews, or other monitoring indicate conditions that necessitate adjustments to the pass-through entity’s own records. 7. Consider taking enforcement action against noncompliant subrecipients as described in 2 CFR 200.338. <p>Condition: OahuMPO has one subrecipient. The Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2019 reported approximately \$767,000 provided to the subrecipient. We were informed that no subrecipient monitoring was performed during the fiscal year ended June 30, 2019.</p>	

**Oahu Metropolitan Planning Organization
State of Hawaii
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Fiscal Year Ended June 30, 2019**

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS (Continued)

<u>Ref. No.</u>	<u>Compliance and Internal Control Finding (Continued)</u>	<u>Questioned Costs</u>
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2019-003 Perform and Document Subrecipient Monitoring (Continued)

Cause: We were informed that the subrecipient monitoring procedures were not performed due to significant personnel turnover and absences during the fiscal year. The Program Manager position was vacant until November 2018. Procedures were in development during fiscal year ended June 30, 2019.

Effect: By not monitoring the subrecipient in a timely manner, OahuMPO cannot be assured in a timely manner that subawards were used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; that subaward goals are achieved; that the subrecipient was audited as required by Subpart F of the 2 CFR 200; and that OahuMPO's records did not require adjustments as a result of its subrecipient's audits or from discoveries had monitoring procedures been performed. Continued noncompliance may result in the following actions taken by the grantor on OahuMPO: additional conditions imposed on OahuMPO by the grantor; temporary withholding of cash payments pending correction of the deficiency; questioned costs that may lead to return of funds by OahuMPO; wholly or partly suspension or termination of federal award; withhold further federal awards; or initiation of debarment or suspension proceedings.

Identification as a Repeat Finding, if applicable:
See finding 2018-007 included in the Summary Schedule of Prior Audit Findings.

Recommendation:

OahuMPO should perform and document its performance of the subrecipient monitoring procedures required by 2 CFR 200.331. This may be in the form of sign-offs with dates on standardized checklists with comments to demonstrate appropriate procedures were performed in a timely manner.

\$ --

Views of Responsible Official(s) and Planned Corrective Action:
Management agrees with the finding and recommendation. See Corrective Action Plan on page 52.

PART V

RESPONSE OF
OAHU METROPOLITAN PLANNING ORGANIZATION

(Provided by Oahu Metropolitan Planning Organization)



OAHU METROPOLITAN PLANNING ORGANIZATION
STATE OF HAWAII
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDED JUNE 30, 2019

Financial Statement Finding

2019-001 Document and Test Key Cost Allocation Summary Worksheet

Contact person

Alvin Au, Executive Director

View of Responsible Officials

Management agrees with the finding and recommendation.

Corrective action plan

The work done by the Fiscal Agent and OahuMPO is being developed by Spire Hawaii LLP. Spire is preparing documentation for the Key Cost Allocation Worksheet. This portion is still being developed and will be added to the accounting policies and procedures. OahuMPO also expects a new accounting system, which was recently awarded to a vendor to implement, may eliminate the need for the worksheet.

Anticipated completion date

April 2020

**Oahu Metropolitan Planning Organization
State Of Hawaii
CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2019**

Federal Award Findings and Questioned Costs

2019-002 Establish Written Policies and Procedures as Required by 2 CFR 200

Contact Person

Alvin Au, Executive Director

View of Responsible Officials

Management agrees with the finding and recommendation.

Corrective Action Plan

OahuMPO and Spire Hawaii LLP will work together to revise the accounting policies and procedures manual to specifically document cash management procedures to meet the requirements of 2 CFR 200.

Anticipated Completion Date

April 2020.

2019-003 Perform and Document Subrecipient Monitoring

Contact Person

Alvin Au, Executive Director

View of Responsible Officials

Management agrees with the finding and recommendation.

Corrective Action Plan

OahuMPO will perform and document its performance of the subrecipient monitoring procedures required by 2 CFR 200.331. This will be by way of sign-offs with dates on standardized checklists with comments to demonstrate appropriate procedures are performed in a timely manner. It is currently being worked on by our Planning Program Manager.

Anticipated Completion Date

May 2020

PART VI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Oahu Metropolitan Planning Organization
State of Hawaii
STATUS REPORT
Fiscal Year Ended June 30, 2019**

This section contains the current status of the prior audit recommendations. The recommendations are referenced to the page of the prior audit report for the fiscal year ended June 30, 2018, dated January 30, 2019.

Recommendations	CFDA Number	Status
SECTION II - FINANCIAL STATEMENT FINDINGS		
<p>2018-001 Strengthen Financial Statement Review (page 44)</p> <p>OahuMPO should strengthen the review of its financial statements to ensure accuracy and completeness in accordance with generally accepted accounting principles.</p>		No material misstatements were noted in the financial statements as of and for the fiscal year ended June 30, 2019.
<p>2018-002 Formalize Risk Assessment Procedures (page 45)</p> <p>OahuMPO should formalize procedures to identify and document its objectives for the accounting, grants management, and financial reporting areas and the related risks associated with achieving those objectives, so that OahuMPO can generate the accurate and reliable financial information and comply with laws, regulations, grant agreements, and other contractual arrangements.</p>		Accomplished.
<p>2018-003 Prepare Financial Accounting Policies and Procedures Manual (page 46)</p> <p>OahuMPO should continue to prepare a Financial Accounting Policies and Procedures manual to ensure its written policies and procedures over accounting, grants management and financial reports are current and complete.</p>		Accomplished.

**Oahu Metropolitan Planning Organization
State of Hawaii
STATUS REPORT (Continued)
Fiscal Year Ended June 30, 2019**

Recommendations	CFDA Number	Status
SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)		
2018-004 Document and Test Key Cost Allocation Summary Worksheets (page 47)		
OahuMPO should prepare documentation of the process for a key spreadsheet used to summarize the allocation of costs to the appropriate grants.		Not accomplished. Refer to Finding 2019-001
2018-005 Improve Monitoring of Internal Controls Over the Accounting, Grants Management, and Financial Reporting Areas (page 48)		
OahuMPO should establish a process to evaluate the design and implementation of OahuMPO's internal controls over the accounting, grants management, and financial reporting areas, so that deficiencies in the current or new processes can be identified and corrected on a timely basis. The process should include the staff, management, and the Policy Board. The Executive Director should keep the Policy Board informed of the changes in policies and procedures in these areas. Lastly, if deficiencies in internal controls exist, the management should notify the Policy Board of the situation and the corrective action that will be taken to address the situation noted.		Accomplished.

**Oahu Metropolitan Planning Organization
State of Hawaii
STATUS REPORT (Continued)
Fiscal Year Ended June 30, 2019**

Recommendations	CFDA Number	Status
SECTION III - FEDERAL AWARD FINDINGS		
2018-006 Establish Written Policies and Procedures as Required by 2 CFR 200 (page 49 - 50)	20.205	
OahuMPO should continue to work with its consultant in completing its Financial Accounting Policies and Procedures to, at minimum, address the requirements of 2 CFR 200 for written policies and procedures.		Partially accomplished. Refer to Finding 2019-002.
2018-007 Perform and Document Subrecipient Monitoring (pages 51-52)	20.205	
OahuMPO should perform and document its performance of the subrecipient monitoring procedures required by 2 CFR 200.331. This may be in the form of sign-offs with dates on standardized checklists with comments to demonstrate appropriate procedures were performed in a timely manner.		Not accomplished. Refer to Finding 2019-003.